

DEC 20 1985

Person To Contact:

Contact Telephone Number:

Refer Reply To:

Dear Applicant:

The information submitted indicates that you were incorporated [REDACTED] under the laws of the state of [REDACTED]. Your purpose as set forth in your articles of incorporation is to be a "nonprofit mutual benefit association."

In order to fulfill your purpose you shall conduct local and regional advertising and promotion for [REDACTED] outlets located in [REDACTED]. Your advertising and promotion activities will be conducted using television, radio, newspapers and special coupons.

Membership in your organization is limited to persons who operate [REDACTED] outlets in [REDACTED].

Section 501(c) of the Code describes certain organizations exempt from Federal income tax under section 501(a) and reads, in part, as follows:

"(6) Business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues ... not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Section 1.501(c)(6)-1(a) of the Income Tax Regulations provides, in part, as follows:

"Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self sustaining, is not a business league."

In National Muffler Dealers Association v. U. S., 440 U.S. 472 (1979), the Supreme Court held that an association of a particular brand of muffler dealers did not qualify for exemption because the association is not engaged in the improvement of business conditions in a line of business.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer

[REDACTED]

Revenue Ruling 65-164, 1965-1 C.B. 238, holds that a local organization whose principal activity consists of furnishing information to and advertising the products of its members engaged in the building construction business is performing particular services for them and is not exempt as a business league.

Revenue Ruling 64-315, 1964-2 C.B. 147, holds that an association of merchants in a particular shopping center whose advertising material contained the names of individual merchants was denied exemption. Furthermore, advertising which carries the names of members generally constitutes the performance of particular services for members.

Your activities are limited to advertising for your members in order to benefit your members. You are not engaged in the improvement of business conditions in a line of business. Advertising may enhance the public's view of your members businesses, but it is also a particular activity which is directed at and for the benefit of your individual members.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the matter, please indicate this in your protest. The enclosed Publication 892 contains instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

If you have further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely,

[REDACTED]
District Director

Enclosures:
Publication 892
Form 6018

cc: [REDACTED]